DOCUMENT RESUME

ED 400 910 JC 960 683

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TITLE Community College Students and Federal Student Financial Aid: A Policy Framework for the Next Administration. AACC White Paper.
INSTITUTION American Association of Community Colleges, Washington, DC.
PUB DATE 10 Jul 96
NOTE 8p.
AVAILABLE FROM World Wide Web:
PUB TYPE Viewpoints (Opinion/Position Papers, Essays, etc.) (120)

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS *Access to Education; *Community Colleges; Educational Legislation; Eligibility; *Federal Aid; *Grants; Paying for College; Program Effectiveness; *Student Financial Aid; Two Year Colleges
IDENTIFIERS *Higher Education Act Title IV

ABSTRACT

The Pell Grants, loan programs, and campus-based aid provided by Title IV of the Higher Education Act now provide almost 80% of all aid awarded to college students in the United States. Although the programs have helped increase the number of Americans attaining higher education, much more needs to be done. In 1993, the college completion rate was 88.4% for individuals aged 18-24 with a high school diploma and from the top family income quartile, but only 48.7% for those from the bottom quartile. The Pell Grant program remains the most utilized source of funding for community college students, with one out of five credit students receiving Pell assistance in 1994. Although less critical, the three campus-based programs (i.e., Supplemental Education Opportunity Grants, Work Study, and Perkins Loans) are also important to community college students. These programs enable individuals to gain or enhance skills to participate productively in the workforce. Therefore, students who use Title IV to enroll in vocational training should be treated no differently than those in transfer programs and proposals to add new graduation or placement requirements to these programs should not be adopted. Priorities for community colleges in the spring 1997 reauthorization of the Higher Education Act include maintaining the essential structure of the Pell Grant program; improving the eligibility of single, independent students; and greater discretion for student loan officers to deny loans. (HAA)

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Community College Students and Federal Financial Aid:

A Policy Framework for the Next Administration

White Paper

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American Association of Community Colleges
Washington, DC

July 10, 1996

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Last posted: *December 6, 1996*

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David Baime, Director of Government Relations

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Community College Students and Federal Student Financial Aid:

A Policy Framework for the Next Administration

Background

Community colleges pride themselves on being the "Ellis Island" of American higher education. This open door ethos is fostered by a partnership that community colleges have with state and local governments to keep their tuitions as low as possible. However, millions of students still cannot afford to attend these colleges without outside sources of financial support. And it is to the federal government that they generally must turn: The student financial aid programs authorized by Title IV of the Higher Education Act (HEA) now provide almost 80 percent of all the aid awarded to college students in this country. Without this federal presence, America's community college campuses would have an entirely different face. Federal student aid has become the lifeblood for an ever-broadening stream of individuals wanting to use community colleges to gain an economic foothold in today's dynamic economy. Community colleges urge the maintenance and enhancement of this critical federal effort in student financial assistance.

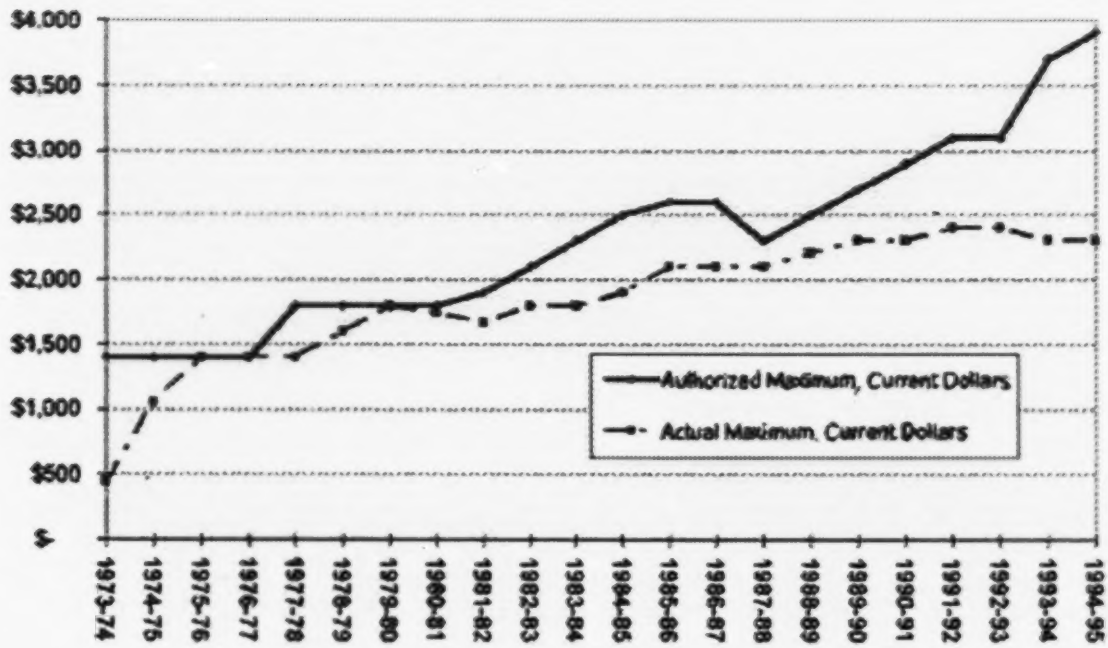
The Title IV programs have developed organically in response to the differing needs of students attending the diverse institutions that comprise American higher education. Pell Grants assist the neediest students in gaining access to college, even though the maximum grant is far below current student needs. The major federal loan programs were originally designed to aid individuals from slightly more affluent backgrounds and serve as a vehicle for "choice" in higher education; regretfully, they have become a staple of college financing. Finally, the three campus-based programs (Federal Supplemental Educational Opportunity Grants, Federal College Work Study, and Federal Perkins Loans), with work, grant, and loan components, can be tailored by student financial aid administrators to suit the particular circumstances of students.

The Federal Role in Promoting Equal Access to Higher Education

The community college movement has helped spawn a dramatic increase in the number and percentage of Americans who have attained higher education.

The federal student financial aid programs have played an indispensable role in helping foster this access. But these remarkable strides should not obscure the reality that much more needs to be done before college--and, with that, a realistic hope of attaining the American Dream--becomes possible for all Americans. The facts speak plainly. In 1993, the college completion rate was 88.4 percent for single individuals aged 18-24 who had a high school diploma and came from the top family-income quartile. The corresponding completion rate was 48.7 percent for those from the bottom quartile. Just as disturbing is the fact that this disparity has increased substantially over the last 14 years as federal student financial aid has declined, relative to inflation. In 1979, the corresponding college completion rate for the bottom income quartile was 44.6 percent; it was only 4.1 percent higher, or 48.7 percent, for that from the top quartile. Those with greater means have clearly been able to respond to the growing economic benefits gained from attending college. These income-driven inequities in degree attainment are what one analyst has called "huge, persistent, growing, and nearly as wide as these disparities have ever been."

Actual and Authorized Pell Grant Maximum Awards: 1973-74 to 1994-95



Community College Participation in the Federal Student Aid Programs

As more and more students have enrolled in America's community colleges, and a greater

proportion of these individuals have needed student aid, their participation in federal student aid programs has steadily increased. The Pell Grant program remains the critical bedrock of federal financial aid for community college students. In the 1994-95 award year, 29.5 percent of all Pell Grant funds were awarded to almost 1.2 million community college students. This represents more than one out of every five community college credit students. The Pell program is targeted effectively on the neediest students, who would be unlikely to attend college without grant assistance. Almost 70 percent of all Pell Grant funds are awarded to individuals with annual incomes of $20,000 a year or less. These individuals have very few resources to pay for college on their own, and borrowing to pay the full cost of college is intimidating and sometimes risky.

Community college students are less reliant on the three federal campus-based programs than they are on Pell Grants, but these programs are still key to their ability to finance college. More than 14 percent of the total funds for Federal College Work Study and Federal Supplemental Educational Opportunity Grants are awarded to community college students. This represented 275,427 and 97,121 students, respectively, in the 1994-95 award year. Far fewer community colleges participate in the Federal Perkins Loan program than in these other two campus-based programs.

It is important to keep in mind that the federal government does not provide the meat-and-potatoes financing of community colleges. These institutions receive almost 70 percent of their operating budgets from state and local governments; nationwide, tuition accounts for less than one-fifth of community colleges' revenues. When the federal government helps a community college student meet his or her tuition bill and some basic living expenses, it is only providing the last portion of the total costs of educating that student. In this respect, the federal government gets a great deal in helping to provide the enormous economic, political, and social benefits that come from a populace that has attained at least an associate's degree.

The Multi-Faceted Population and Needs of Community College Students

Community colleges and their students are characterized by their diversity. One of the most positive features of Title IV student aid, and particularly the Pell Grant program, is that it assists the full array of students served by community colleges: full-time and part-time; occupational and transfer/academic; certificate and degree seeking; of traditional college age or well into their careers; and those ready for full-blown college work, or those in need of some developmental education or perhaps English-as-a-Second Language programs. The students include remedial education and "ability-to-benefit" students.

Therefore, community colleges would urge opposition to any short-sighted attempt to limit the ability of students currently eligible for federal student aid to have access to those programs. Too often, students who do not meet the traditional definition of the American higher education student have been targeted for exclusion from Title IV, and we are hearing such talk again. It is important for policy makers to understand that the "non-traditional" student has virtually become the norm in American higher education. Over the last twenty years, the various renewals of the Higher Education Act have responded to the need to accommodate new populations of students. This approach needs reaffirmation at the highest level of government.

Job Training and the Title IV Programs

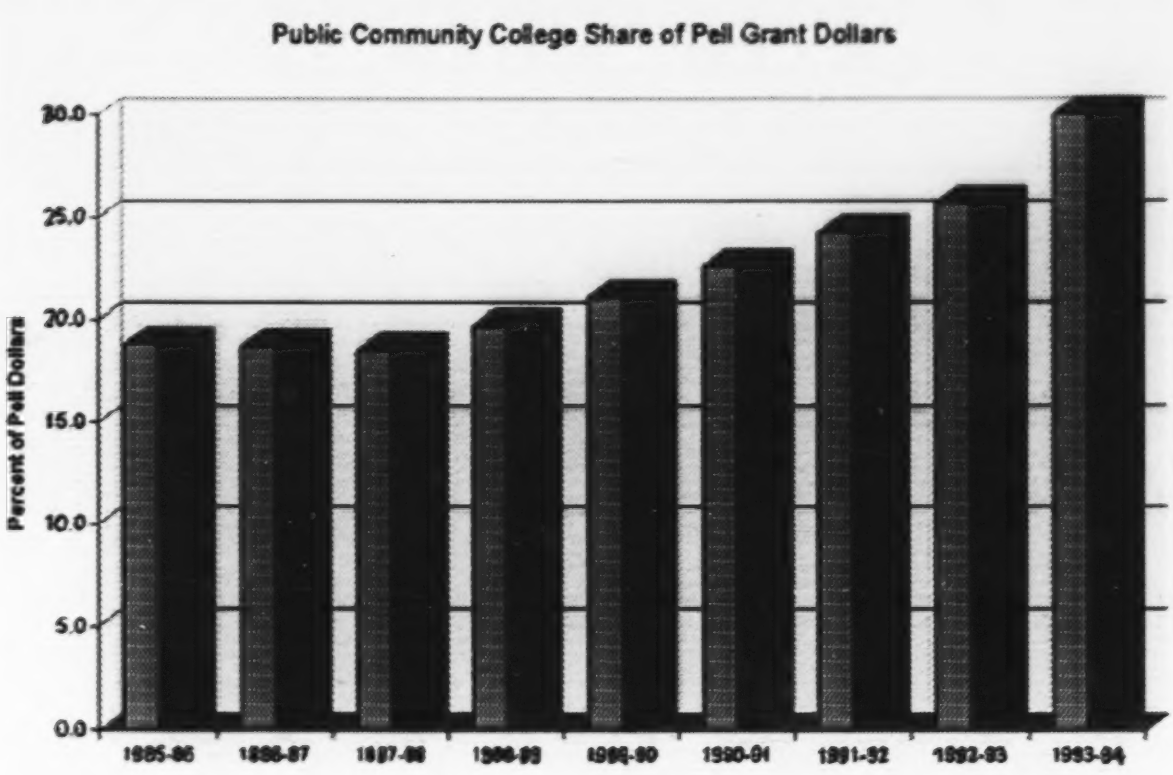
The federal student financial aid programs serve as an extremely efficient means for individuals to gain or enhance skills to participate productively in the workforce. The vocational education/job training opportunities provided through the Title IV programs are especially important at community colleges, since students in an "academic" or "vocational" program frequently move from one track to the other during their course of study. Also, the exact same course, such as calculus, might satisfy requirements in either category of program. It makes no sense for colleges to have different sets of regulations and rules of program administration for students who are similar in terms of background and financing needs.

Despite widespread awareness of the value of vocational education and job training at community colleges for individual and national economic performance, these programs have not uniformly attained the prestige they deserve. We strongly believe, however, that vocational and academic programs at community colleges are of equal value as academic pursuits and provide equal advancement for students. Therefore, AACC would oppose any attempt to treat students who use Title IV funding to enroll in vocational training at community colleges differently from those enrolled in transfer programs. In particular, AACC would oppose grafting onto these programs new requirements that the programs have a given graduation or placement rate, especially if the former were not also applied to academic programs.

Policy Prescriptions for the Next Administration

Funding

The next administration, working with Congress, must move more aggressively to provide adequate funding for the student financial aid programs. Overall reductions in domestic discretionary spending in the 1980s were reflected in federal student financial aid programs, and caused a damaging loss of buying power in the Pell Grant maximum--between the 1978-79 and 1994-95 award years, the maximum dropped by more than 32 percent, in inflation-adjusted terms. This drop in grant support in turn caused a balloon in borrowing. The purchasing power of campus-based programs eroded sharply over this time as well.



Community colleges urge whoever occupies the White House in 1997 to work with Congress to make a strong recommitment of federal support to adequately fund the programs that have done so much to promote access to higher education. What is needed are:

- Regular increases in the Pell Grant program;
- Sustained support for federal campus-based aid;
- Efforts to reduce the massive education borrowing now common for college students.

Community college students are grateful that Congress increased the Pell Grant maximum by $130 in FY 1996, the largest increase in more than ten years. A smaller increase seems possible for the upcoming fiscal year. Given Congress' current dedication to balancing the federal budget, this support is most encouraging, but more needs to be done.

Reauthorization of the Higher Education Act

The next Administration will be a central player in the upcoming reauthorization of the Higher Education Act, which will commence with hearings in the spring of 1997. Community colleges do not have a detailed policy position on reauthorization at this time, but several central priorities are already apparent:

- The essential structure of the Pell Grant program must be maintained. Pell has worked phenomenally well for millions of students. Changes in basic program or student eligibility could have sharply negative consequences for community college students.
- The "needs analysis" framework for determining student aid eligibility must be altered to ameliorate the harsh treatment of single, independent students adopted in the 1992 HEA reauthorization.
- Penalties for institutions that have high default rates but very few borrowers should be eliminated. Student aid officers should have greater discretion to deny students loans.
- Colleges should receive substantial relief from a series of antiquated requirements.

Department of Education Student Aid Regulatory Policies

Over time, a staggering edifice of regulations has developed around the federal student aid programs. One by one, well-intentioned rules designed to address particular problems in the student aid system have led to a framework in which full-time professionals are unable to determine proper policies for awarding student aid. The Department of Education is now beginning to consider ways to lighten regulatory burdens on some colleges and universities, but a dedicated, high-profile effort that extends to all institutions needs to be undertaken. Also, the department needs to coordinate the activities of its regional offices more effectively with the central office. It does no good for the "hub" to preach regulatory flexibility and tolerance, and for the "spokes" to engage in inflexible review practices.

As other federal agencies have done with entire industries, the Department of Education sorely needs to generate a cooperative and constructive relationship with community colleges in their administration of these extremely complex programs. The current orientation one-of-policeman-or-enforcer needs to be broken. The prevailing assumption of the department's program reviewers that community college officials have fraud or cheating in their minds would be laughable, were its consequences not so dire. We urge a comprehensive reassessment of the "culture" of adversarial regulation by the Department of Education. This reassessment can come only from the top.

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